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C O N F I D E N T I A L SECTION 01 OF 03 BAGHDAD 000682

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TAGS: [ENRG](#) [EPET](#) [KCOR](#) [EIND](#) [IZ](#)
SUBJECT: PRT TIKRIT: NEW BAYJI REFINERY CHIEF LAYS OUT PLAN
TO RESTORE PRODUCTION

REF: A. A. 06 BAGHDAD 4427
[1](#)B. B. BAGHDAD 539

Classified By: CLASSIFIED BY LEONARD HATTON, PRT DEPUTY TEAM LEADER, FO
R REASONS 1.5 (B) AND (D).

[1](#)1. (U) This is a PRT Tikrit, Salah ad Din cable.

[1](#)2. (C) SUMMARY AND COMMENT. On February 14, the incoming director of the Bayji Oil Refinery Ali Obeydi discussed his plan to address the refinery's numerous operational challenges with the Salah ad Din Governor Hamad Hamoud al Shakti al-Qaisi, various Director Generals, and PRT representatives. Obeydi outlined a strategy largely based on the renovation of the on-site hydrocracker, potentially raising benzene production by 4000 cubic meters per day. Obeydi's assignment to raise refinery production in the near-term likely will prove extremely difficult. Although the addition of a functioning hydrocracker would increase productivity, by itself it could not solve the two greatest technical problems in Bayji: the on-site glut of heavy fuel oil (HFO, the byproduct after the refining process) due to the inability to transport it safely to the customer, and the frequent electrical power failures (which are to blame for the hydrocracker's original malfunction). Moreover, other factors which negatively affect refinery operations and/or distribution, such as the abysmal highway security throughout north-central Iraq and rampant fuel smuggling, lie outside of his control. However, Obeydi may be one of very few who has an opportunity to effect real change at the oil refinery. He appears to be arriving with the necessary prerequisites: a clear mandate from the Ministry of Oil (MoO) (and the corresponding influence in Baghdad) and an extremely high level of professional competence (having served in various management and engineering capacities in Bayji for a number of years). END SUMMARY AND COMMENT.

A New Direction

[1](#)3. (C) Highly respected, Dr. Ali Obeydi has served in various capacities at the Bayji oil refinery throughout his career, including a stint as the hydrocracker manager. His reputation for competence appears to be incontrovertible; even members of the Oil Protection Force, which is responsible for refinery security (as well as suspected of aiding oil smuggling at Bayji), told IPAO on February 6 that they did not oppose the appointment of Obeydi. (NOTE: The OPF appears to be influenced and infiltrated by a group of persons who may be heavily involved in fuel smuggling at the refinery. Perhaps fearing for their livelihood and/or safety, the OPF leadership voiced serious concern about the present personnel changes occurring at the refinery. However, in the case of Obeydi, these same officials were not directly opposed to his appointment. While not necessarily happy either, they appear to be taking a wait-and-see8

attitude (septel). END NOTE.)

¶4. (C) Abdel Khader, the former refinery director (demoted to head of one of the individual refinery units at Bayji), expressed to IPAO on November 19 and February 6 his frustration with the perceived unresponsiveness of the Ministry of Oil in Baghdad to the refinery's needs) blaming much of the problem on sectarianism within the Shia-dominated ministry (reftel A). Khader also told the MoO was delaying the delivery of equipment valued at over USD 3 million) ranging from spare parts to replacement machinery) which is vital to perform necessary maintenance and upkeep. Khader's relationship with Baghdad often appeared to be strained; however, Obeydi may be able to secure the necessary financial and technical support from the MoO which has been lacking.

¶5. (C) During a meeting on February 14 in Tikrit with local politicians and PRT representatives, Obeydi recognized the dire economic cost for the population of Salah ad Din that are caused by frequent refinery shutdowns. Obeydi stopped short of addressing many key issues such as the on-site glut of HFO, lack of spare parts, employee morale; but he did address two of the most critical challenges: the challenges faced by the intermittent power outages and his plan to revive the long dormant hydrocracker.

Power Please

¶6. (C) Frequent stoppages of electric power to the refinery from the nearby power plant (literally located less than a mile away) habitually interrupts refinery operations the

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latest occurrence was on February 10, with production not resuming until February 12 (reftel B). Incurring a cost greater than simply a lowering or ceasing of production, sudden power disruptions also greatly complicate the task of maintaining complex equipment critical for production. For example, the present hydrocracker malfunctioned because of the inability of refinery technicians to properly cool it down due to the lack of power. For the Bayji refinery, which already has a shortage of trained engineers and spare parts, power disruptions can mean the difference between producing at 60 percent or 30 percent capacity, with a corresponding direct effect upon the amount of fuel which reaches the population.

¶7. (C) Acknowledging the improbability that the electric plant would be able to provide a consistent supply of electricity in the near future, Obeydi discussed the possibility of obtaining a dedicated source of power with representatives of the Infrastructure group of PRT Salah ad Din. According to Obeydi, the refinery requires 50 megawatts at full production (although the refinery has averaged less than 35 percent production for many months). However, if the hydrocracker is operational, this requirement would rise to 100 megawatts) far above a realistic expectation of the capabilities of the Iraqi electric grid for some time. Obeydi stated that the MoO recently approved the construction of a dedicated power plant for the refinery. However, admitting that it would be years before this project would come to fruition, Obeydi discussed with PRT representatives temporary alternatives, such as receipt of powerful generators such as the &MOAGs8 (Mother of All Generators), which can each produce approximately 15 megawatts of power each. He admitted that without a dedicated supply of power, either from generators or power plants, the refinery will be hard pressed to maintain even the 20-25 percent level of capacity it has averaged over the past several months.

Bayji Hydrocracking Soon?

¶18. (C) The process of turning crude oil into refined fuel fundamentally is the separating of heavy, long-chained oil molecules into lighter short-chained ones (i.e., refined fuels such as gasoline, kerosene, etc.). This process, known as cracking, takes specific forms such as Fluid Catalytic Cracking and Hydrocracking. The refinery at Bayji lacks the complex equipment necessary for fluidized catalytic cracking (the fluidized catalytic cracker, or FCC) and the hydrocracker is currently inoperable (reftel A). These processes are essential to increase the refinery production; the installation of a revamped hydrocracker and a new FCC could raise efficiency by 15 percent and 10 percent respectively, according to Obeydi.

¶19. (C) Expressing confidence that by the necessary hydrocracker catalyst would arrive shortly, Obeydi told meeting attendees that his engineers would be able to render the hydrocracker itself operational within two months, resulting in the increased production of 5000 cubic meters of HFO and 4000 cubic meters of benzene per day. Obeydi also alluded to obtaining a FCC in the future, although he was much less certain about this future possibility. (NOTE: Khader expressed to IPAQ strong frustration with the MoO in November, claiming that the Ministry sent an FCC to Basra last fall for sectarian reasons, reftel A. END NOTE.)

COMMENT

¶10. (C) Even partial success by Obeydi in his mission to increase productivity at Bayji could represent a significant step forward towards the alleviation of the most critical impediment to the economic growth in Salah ad Din and throughout most of Iraq) the shortage of refined fuels. Obeydi appears to be dedicated to achieving positive results) indeed, his positive attitude is refreshing - and considering his influence and experience, he may be one of a very small group of competent technocrats with both the desire and the capability to effect real change.

¶11. (C) On the other hand, many issues remain unaddressed: the glut of heavy fuel oil (which would presumably become more acute if additional crude oil is refined and if adequate security cannot be implemented to protect HFO tanker drivers), the scarcity of trained engineers necessary to maintain the new equipment (reftel A), and the corrupting influence of local power players who are unlikely to willingly allow a new sheriff to enact changes contrary to their interests (septel). Ultimately, increasing production

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at Bayji and ensuring far greater distribution of refined fuel to the population will depend on the effectiveness and cooperation of many other players as well) the ability of the IA to adequately secure the refinery and highways, the capability of the Oil Protection Force to eliminate the corrupt elements (inside and out) which permeate the organization, etc. While Obeydi's appointment is a good start, ultimate success in this endeavor will depend upon many factors. END COMMENT.

¶12. (U) For additional reporting from PRT Tikrit, Salah ad Din, please see our SIPRNET Reporting Blog: <http://www.intelink.sgov.gov/wiki/Tikrit>.

KHALILZAD